Analysis of the Retail Market in Brasov

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Abstract

This paper aims to analyze the retail market in Brasov in terms of development and expansion of retail networks. Thus, the expansion of chain stores creates a number of advantages for consumers because the big retailer relies on various sales strategies in order to attract or retain customers. This analysis shows that, to apply competitive prices and accessible to consumers, to offer products in a wide range and because of numerous customer loyalty campaigns, major retailers put pressure on small local producers who fail to meet the requirements of major retailers or facing conditions imposed by them (entrance fee shelf, very low prices, approvals and certifications). Also small traders working in traditional forms fail to keep pace with the varied assortment of products at low prices and with the continuous modernization of hypermarkets.

Key words: retail market, chain stores.
J.E.L. classification: D30, M21

1. Introduction

It has found that if people go into stores only when they need something, and if buy only what they need, the economy would collapse. It may seem like a bold statement but rather expresses a partial reality, especially when applied to the retail industry as a whole. (Underhill,2006, p. 235). Shopping are considered a major source of relaxation, but recent studies suggest that the pressure of a busy lifestyle and technological advances turn them into hard work.

Of particular importance is technical development, the automation, continuous training of personnel, expansion of services offered to consumers, increased use market research to obtain information on customer satisfaction, all leading to the achievement of a modern trade. The client wants to have confidence in the company's ability to provide the required quality and to maintain this quality (Neacsu N.A., 2015, p.105).

In Romania, the national trade has registered increases colossal by 100% in the last 10 years, which has contributed extensively and simultaneously to the development of market economy by reducing unemployment and contributing to the GDP, but was also one of the sectors activities carried biggest investments internally, but also the largest foreign direct investment by the entry of large retail chains. Brasov is now the third shopping center in the country after Bucharest and Ilfov, with 74 cash & carry stores, hypermarkets, supermarkets and discounters, opened in the last 19 years. But because it is a tourist area and hotels and guest houses buy from these sources, modern retail as a whole has reached a market share of 60% in Romania and in the coming years is expected to increase even 80%, given the growing consumer appetite of Romanians. In Brasov, modern retail has a share even more pronounced, the number of neighborhood stores being gradually increasing from year to year.

The main objectives behind organizing this work are: an analysis of developments on the retail market in Romania and a review of trade development in Brasov between 2010-2015.

These analyzes are useful to all companies working in Romania or who want to invest in this area, and for traders in Brasov, for better information on market developments in this city.

2. Evolutions of the retail market in Romania

Trade development depends largely on the growth of living standards and increase quality of life and the upward trends on the modernization business. GDP is reflected in the evolution of living standards in our country, therefore evolution is reflected in the retail market in Romania.

Table no. 1 GDP evolution in Romania during 2010 - 2015

Years	GDP (milions Lei)	The absolute change in GDP (milions Lei)	The relative change in GDP (%)
2010	533881,1	0	0
2011	565097,2	31216,1	5,85%
2012	595367,3	30270,1	5,36%
2013	637456	42088,7	7,07%
2014	667577,4	30121,4	4,73%
2015	712832,3	45254,9	6,78%

Source INSSE –National Statistics-2016

Analyzing to table no.1 it can be seen that in the period 2010-2015, GDP in Romania increased, positive situation. In 2014 we see recorded peak value of 712 832 300 000 lei. Development and expansion of big retailers had both positive effects and negative on the other participants in commercial activities in Romania. But overall Romanian retail market recorded the highest growth markets compared to other European countries during 2000-2010, about 123%, and the trend was growing between 2010-2015, as can be seen, with an average annual growth of 8%.

Table no. 2 The evolution of the retail market in Romania in 2010-2014

Years	The evolution of the retail market (milions Lei)	The absolute change of market retail (milions Lei)	The relative change of market retail (%)
2010	114962	0	0
2011	131244	16282	14,16%
2012	142631	11387	8,68%
2013	144609	1978	1,39%
2014	156073	11464	7,93%

Source INSSE –National Statistics-2016

From table no.2 we can see that the indicator calculated to Romania, was found growing in 2010-2014, but with changing values. Initially, the retail market grew by 14.16 percent, but this value decreased to 1.39 percent, but as you can see this trend seems to return to baseline values, the change relative to 2014 being 7.93 percent.

The continuing evolution of retailing in Romania is closely linked to the development of modern commerce, the increasing purchasing power of the population and changing consumption behavior of the population. In this context, the traditional trade recorded major losses in market share at the expense of modern trade, supported by the expansion of chain stores that have extensive commercial areas and improved sales techniques.

Modern retail is a core pillar of growth of consumption in Romania, reaching a record market share of 60% in the first quarter of 2016, which meant a new beginning for the players in the FMCG (Fast Moving Consumer Goods), with increasing purchasing power of Romanians due to lower VAT on food and non-alcoholic drinks and wage increases. The benefit is that this extra money in consumers' pockets are now returning in consumption, and 2016 is showing signs of continued growth.

The hypermarkets have recorded the highest growth rate in all channels, they won more than one percentage point to 29% market share, due to the increased value of the shopping basket. Which means that, regardless of the shopping cart, more households will procure goods in such forms of trade reaching up to 17% market share. Discounters show a different growth trajectory, managing to grow and purchase frequency.

The latest analysis regarding household consumption monitoring show an increase in value of the shopping cart in the modern commerce. The first three months of 2015 consumer trends are observed after the first reduction of the Tax on Value Added. In June 2015 we see an increase in the purchase of consumer goods by 0.4%, in the context of food deflation of 6%, which translates into a 3.5% increase in volume purchases for the home. So result that Romanians is oriented to buy branded products and product categories more expensive.

Purchasing power in Romania is among the lowest in Europe, and regions of the country where the purchasing power recorded a small leap as against the rest of the country are Bucharest, Cluj andTimis.(http://www.magazinulprogresiv.ro/uploads/media/STIRI/Piata_de_Retail_FMCG_din_Romania.pdf)

Table no. 3. Changes in purchasing power of Romania during 2010-2014

Years	Purchasing power in Romania (Lei)	Absolute change in purchasing power in Romania(Lei)	Relative change in purchasing power in Romania(Lei)
2010	11700	0	0
2011	12200	500	4,27%
2012	14300	2100	17,21%
2013	14400	100	0,70%
2014	15100	700	4,86%

Source INSSE –National Statistics-2016

Analyzing Table no.3 it can be seen that during 2010-2014, purchasing power in Romania is growing, this increase is beneficial to the country in 2014 recorded a value of 15100 RON. While this indicator is on an upward trend, it is noted that it is still below the European average.

In 2015, Romanian consumers have enjoyed stable prices. This is a rare situation for industry, retail and consumers. In February 2016, the European Commission has forecast a price increase in 2016 by 0.5% due to a less expansive policy of the central bank and economic recovery. But inflation expectations are mitigated by low prices for raw materials. In several European countries held a rather deflation last year.

Over the past year, profitability increased in the EU by nearly 3% to just under € 4,200 per m². This is good news for retail that took gains for two consecutive years after a long period of decline. Online dynamic has slowed more mature markets and classic retail in stores and they began to adapt gradually to new conditions. The unprofitable stores were closed as part of digitization. The highest rates of profitability come usually from Northern Europe, Switzerland and Luxembourg and lowest from eastern and southern Europe - however, countries in the region gaining continuously.

3. Developments in the retail market in Brasov

Brasov is one of the first cities in the province in terms of modern retail stores with 46 networks commercially. The best representative is the French company Carrefour, which has 14 stores, from hypermarkets to convenience stores, followed by those from Mega Image, with ten stores. Profi network owns seven stores in Brasov, while Lidl and Billa each have four stores. Brasov has two

Metro Cash & Carry, one Auchan and one store Penny Market and XXL Mega Discount, plus Selgros and Kaufland.

After Bucharest, Brasov and Constanta are cities that have attracted the most foreign investments in retail. The two urban centers are not in the top 3 in terms of population, but are the most important tourist pole after Bucharest.

The reason that retailers are attracted to these cities are purchasing power above the national average and increased appetite for shopping, and more than that in urban areas consumers have disposable income and education than average so prefer to go shopping in stores modern trade. In the countryside, on the other hand, consumers still choose convenience store, or markets.

Before entering on a market, a retailer takes into account a number of factors that influence the development prospects of the area: purchasing power, which should be growing and size the zone served. An larger market area can provide a possible higher profit.

Brasov is now the third shopping center in the country after Bucharest and Ilfov, with 74 cash & carry stores, hypermarkets, supermarkets and discounters, opened in 19 years. But this is not because the people in this area enjoy high salaries but is closely related to the fact that Brasov is a tourist area that has hotels and hostels which are supplied from these sources. Given the growing appetite for shopping but also the convenience of people, modern retail as a whole achieved a market share of 60% in Romania and in the coming years is expected to increase to 80%. In Brasov, modern retail has a more pronounced rate by increasing the number of hypermarkets and supermarkets in recent years, while the number of convenience stores is declining from year to year.

In Brasov modern retail has made its entry in 1997, while Metro opened their first shop in Ghimbav town. The first international chains that have entered the market in Brasov they had large capacity - cash & carry and hypermarkets, as they had need of a critical mass of customers to justify investments and costs to become profitable

Selgros opened its first store in Romania in 2001, in Brasov and here is the headquarters of the chain stores. The location of the hypermarket was a strategic choice because it was meant to serve both Brasov place and Prahova Valley, an area popular among tourists, so an area with hotels and guesthouses under construction, all of which should be followed to become their customers. Incidentally, the store in Brasov is the most important network, with the highest sales and becoming the model for virtually all other Cash & Carry stores in the country. (http://fwdbv.ro/radiografie-retailul-modern-la-brasov/)

In the same period, the British company Tesco opened office market research to identify areas where they could locate their stores. Following the results obtained according to research conducted perhaps unsatisfactory, they decided that opening a store in Romania is not compatible with their demands. But the sale of Brasov has become increasingly developed due to the emergence of large retailers in this market.

At that time small neighborhood stores not have realized what effect it could have on their hypermarkets, especially long-term effects. These small shops were based on proximity to clients who needed them for small purchases. Consumers were oriented Cash & carry stores and small traders have shopped in these stores for resale, but with a small profit.

After several years of silence in 2004 in Brasov market appeared first Carrefour store and the second Metro, both strategically located at the exit towards Bucharest. In 2006 it opened a hypermarket Real (a division of METRO), and in 2007 was opened hypermarket Kaufland. Interestingly though it came among the last, became the main retailer Kaufland Romania, reaching revenue of over one billion euros last year. Moreover, the Kaufland is the only company with large sales areas who chose to open a shop in Fagaras, 70 km from Brasov.

In 2013, Auchan has acquired more Real stores in Romania and Eastern Europe. Auchan opened, then, in 2015, the largest hypermarket in Transylvania, with the inauguration Coresi Shopping Resort.

The only brand of hypermarkets, which is not present in Brasov is Cora, although so wished by purchasing platform Hidromecanica Brasov to Civic Center where he had intended to build a mall. Financial problems led the company Cora to sell the land to AFI Europe Romania.

Brasov, one can say that became a field competitive for retailers, because there are currently 74 stores in the city, of which 20 are owned by Carrefour, which entered the Braşov with all formats held - hypermarkets, supermarkets, Market Express convenience stores and format Contact shop proximity to the countryside. In the county there are 13 stores Profi 11 Mega Image 9 Lidl, Penny Market 8 6 Billa 2 Metro, Kaufland 2, Auchan 2 and one Selgros store. Notably, however, that soon will go under the umbrella Billa stores of Carrefour, which will result in an increased share of the French presence.

Also, one of the strategies adopted in supermarkets is to make visitors stay longer in the store by the fact that the products are moved regularly elsewhere in the store, because over time people tend to get used to the place of certain products shelf and ignore products that do not care at the time. By changing products, customers are required to visit the store to make all necessary purchases and make shopping even more.

Loss of concentration makes people to spend more time inside hypermarkets and therefore to make more impulse purchases. (Lindstrom,2011, p.170). Interrupting the people during the shopping also makes them less sensitive to price, because when they turn to look at products have a false sense that they have already been checked (Liu 2008, p.640)

4. Conclusions

Current market developments consumer goods raises serious and complex issues in front of all retail companies. Retail businesses in Romania are facing increasingly strong competition and has to settle some outstanding issues regarding integration into market mechanisms. Furthermore, because it operates in a direct relationship with market demand, retailers must know and pursue permanent market requirements, a phenomenon that requires multiple analysis and market research.

These current realities (and possible developments) characterizing the retail sector were what triggered the initiation of this paper. We believe that two very important conclusions have emerged a result of accomplishing this work. The first is related to the strong decrease in the number of small entrepreneurs nationwide and at Brasov. Modest financial resources, managerial and administrative incapacitatatea lack bargaining power against suppliers may be several reasons for small retail companies are out of business. At the opposite pole are large retailers who have invested heavily in our country and in Brasov in recent years.

Some researchers say that in five years trade will look completely different because the main orientation of modern trade players, from entry, was to urban areas, and in recent years have turned to rural and easy. Traditional trade villages in rural areas is generally represented the family business, the owners are known by most consumers, they have formed a loyal clientele and interpersonal relationships between customers and owners. Therefore, entering international trade networks is difficult because people are accustomed to communicate with the seller and create a connection with it. Shopping in such stores are paying village "on duty" until you have enough money to pay the debt. All these are related to the relationship between retailer and its customers, who can hardly be stifled by the big stores. (Lindstrom, 2011, p.169)

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